

AMENDED IN SENATE JUNE 11, 1998  
AMENDED IN ASSEMBLY APRIL 30, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1807**

**Introduced by Assembly Member Takasugi**

February 10, 1998

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An act to add Sections 401.15 and 5096.3 to the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1807, as amended, Takasugi. Property taxation: airline property and possessory interests.

Existing property tax law provides that all property is subject to taxation at its full value, unless that property is otherwise exempted from taxation in whole or in part pursuant to either state or federal law.

This bill would, pursuant to legislative findings and declarations, require any of certain counties, if specified airlines execute a written settlement agreement or waiver, as provided, with that county, to issue specified total amounts of credits to those airlines against property taxes from the 1998–99 fiscal year to the 2002–03 fiscal year, inclusive. This bill would also provide, for fiscal years to the 1997–98 fiscal year, inclusive, for the 1998–99 fiscal year to the 2002–03 fiscal year, inclusive, and for the 2003–04 fiscal year, ~~with respect to any county that provides these credits against future taxes, that~~

the assessed value of certificated aircraft shall be deemed to be the amount entered on the tax roll with respect to those aircraft if certain ~~conditions~~ *assessment procedures* are ~~met~~ *followed*.

This bill would make legislative findings and declarations as to the necessity for a special statute.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 ~~SECTION 1. (a) The Legislature finds and declares~~  
2 ~~all of the following:~~

3 ~~(1) As a result of both ambiguities in the law and~~  
4 ~~conflicts between regulations and court decisions, one of~~  
5 ~~the most difficult and contentious property tax~~  
6 ~~assessment issues in recent years has been the assessment~~  
7 ~~of airline property and possessory interests in publicly~~  
8 ~~owned airports.~~

9 ~~(2) These ambiguities and conflicts have given rise to~~  
10 ~~litigation and appeals challenging assessments involving~~  
11 ~~hundreds of millions of dollars of property tax revenues.~~

12 ~~(3) The uncertainty created by pending litigation and~~  
13 ~~appeals over the assessment of airline property and~~  
14 ~~possessory interests in publicly owned airports is~~  
15 ~~disruptive to both airline industry tax planning and local~~  
16 ~~government and school finance.~~

17 ~~(b) It is the intent of the Legislature in enacting this~~  
18 ~~act to facilitate the resolution of disputes over the~~  
19 ~~assessment of airline personal property by codifying~~  
20 ~~recommendations, produced by a county and airline~~  
21 ~~industry working group, that do all of the following:~~

22 ~~(1) Establish assessment methodology for certain~~  
23 ~~airline property.~~

24 ~~(2) Clearly establish a presumption of correctness if a~~  
25 ~~county assessor follows the assessment methodology set~~  
26 ~~out in this act and in Assembly Bill 2318.~~

~~(3) Dispose of outstanding litigation and appeals over aircraft assessments, and of the real property rights of certificated air carriers at publicly owned airports, other than interests in terminal, cargo, hangar, or other site-specific facilities.~~

~~(4) Mitigate the financial impact of the statutory changes made by this act on local governments and schools by establishing a method by which the issuance of any prior year refunds to litigating airlines is replaced by the provision of credits against future tax payments.~~

~~SEC. 2. Section 401.15 is added to the Revenue and Taxation Code, to read:~~

~~401.15. (a) Notwithstanding any other provision of law, for any county that provides credits in compliance with Section 5096.3, the full cash values of certificated aircraft for each fiscal year to the 1997-98 fiscal year, inclusive, are deemed to be those values enrolled by the county assessor or, in the case of a timely escape assessment upon certificated aircraft that is made on or after April 1, 1998, pursuant to Section 531, 531.3, or 531.4, the value enrolled upon that escape assessment, provided the escape assessment is made in accordance with subdivision (b).~~

~~(b) For the 1998-99 fiscal year to the 2002-03 fiscal year, inclusive, and including any escape assessment levied on or after April 1, 1998, for any fiscal year to the 2002-03 fiscal year, inclusive, certificated aircraft shall be presumed to be assessed at full market value if all of the following conditions are met:~~

~~(1) Value is based upon original cost. In the case of aircraft purchased from the manufacturer, the original cost shall be the greater of the following:~~

~~(A) Taxpayer's book cost computed in accordance with generally accepted accounting principles.~~

~~(B) The cost established in a sale/leaseback or assignment of purchase rights transaction that transfers the benefits and burdens of ownership to the lessor.~~

~~Under either subparagraph (A) or subparagraph (B), transportation costs, capitalized interest, and the cost of any capital additions made to the aircraft to put it into~~

~~1 service by the current owner, or any major modifications  
2 to change the model, to the extent not included in the  
3 taxpayer's book cost or sale/leaseback transaction, shall  
4 be included in the original cost.~~

~~5 (2) Original cost, including the cost of any additions,  
6 shall be adjusted from the date of the acquisition of the  
7 aircraft or the addition to the aircraft to the lien date,  
8 using the producer price index for aircraft and a 16-year  
9 straight line percent good table starting from the  
10 delivery date of the aircraft to the current owner with a  
11 maximum combined factor of 25 percent, unless this  
12 adjustment results in a value less than the minimum value  
13 for that aircraft computed pursuant to paragraph (3), in  
14 which case that minimum value may be used.~~

~~15 (3) For certificated aircraft of a type that has been in  
16 revenue service for eight or more years, the minimum  
17 value shall not exceed the average of the used aircraft  
18 prices shown in columns other than the "average new  
19 prices" column for used aircraft of the oldest model and  
20 type for that aircraft in the edition of the Airliner Price  
21 Guide most recently published as of the lien date. If the  
22 Airliner Price Guide ceases to be published, a guide  
23 agreed to by the airlines and the taxing counties shall be  
24 substituted.~~

~~25 (c) For the 2003-04 fiscal year, a certificated aircraft  
26 shall be presumed to be assessed at full market value if all  
27 of the following conditions are met:~~

~~28 (1) Value is based upon original cost. In the case of  
29 aircraft purchased from the manufacturer, the original  
30 cost shall be the greater of the following:~~

~~31 (A) Taxpayer's book cost computed in accordance  
32 with generally accepted accounting principles.~~

~~33 (B) Taxpayer's book cost plus one-half of the  
34 incremental difference between taxpayer's book cost and  
35 the cost established in a sale/leaseback or assignment of  
36 purchase rights transaction that transfers the benefits and  
37 burdens of ownership to the lessor.~~

~~38 Under either subparagraph (A) or subparagraph (B),  
39 transportation costs, capitalized interest, and the cost of  
40 any capital additions made to the aircraft to put it into~~

1 ~~service by the current owner or any major modifications~~  
2 ~~to change the model, to the extent not included in the~~  
3 ~~taxpayer's book cost or sale/leaseback transaction, shall~~  
4 ~~be included in the original cost.~~

5 ~~(2) Original cost, including the cost of additions, shall~~  
6 ~~be adjusted from the date of the acquisition of the aircraft~~  
7 ~~or the addition to the aircraft to the lien date, using the~~  
8 ~~producer price index for aircraft and a 16-year~~  
9 ~~straight line percent good table starting from the~~  
10 ~~delivery date of the aircraft to the current owner with a~~  
11 ~~maximum combined factor of 25 percent, unless this~~  
12 ~~adjustment results in a value less than the minimum value~~  
13 ~~for that aircraft computed pursuant to paragraph (3), in~~  
14 ~~which case that minimum value may be used.~~

15 ~~(3) For certificated aircraft of a type that has been in~~  
16 ~~revenue service for eight or more years, the minimum~~  
17 ~~value shall not exceed the average of the used aircraft~~  
18 ~~prices shown in columns other than the "average new~~  
19 ~~prices" column for used aircraft of the oldest model and~~  
20 ~~type for that aircraft in the edition of the Airliner Price~~  
21 ~~Guide most recently published as of the lien date. If the~~  
22 ~~Airliner Price Guide ceases to be published, a guide~~  
23 ~~agreed to by the airlines and the taxing counties shall be~~  
24 ~~substituted.~~

25 ~~(d) In order to calculate the values prescribed in~~  
26 ~~subdivisions (b) and (c), the taxpayer shall furnish the~~  
27 ~~county assessor with an annual property statement that~~  
28 ~~includes aircraft original costs as defined in paragraph (1)~~  
29 ~~of subdivision (b). In the event an air carrier fails to~~  
30 ~~report original cost with respect to an aircraft of that~~  
31 ~~carrier, an assessor may in that case, notwithstanding any~~  
32 ~~other provision in this section, make an appropriate~~  
33 ~~assessment pursuant to Section 501.~~

34 ~~SEC. 3. Section 5096.3 is added to the Revenue and~~  
35 ~~Taxation Code, to read:~~

36 ~~5096.3. (a) To dispose of certain lawsuits and~~  
37 ~~assessment appeals that have been filed, and to preclude~~  
38 ~~the filing of other claims relating to the assessment,~~  
39 ~~equalization, and assessability of certain possessory~~  
40 ~~interests in publicly owned airports, and to aircraft~~

~~valuation and equalization, by Alaska Airlines, Inc., American Airlines, Inc., Continental Airlines, Inc., Delta Airlines, Inc., Federal Express Corporation, Northwest Airlines, Inc., Trans World Airlines, Inc., United Airlines, Inc., United Parcel Service, U.S. Airways, Inc., Wings West Airlines, Southwest Airlines, and America West Airlines, whether in their own right or as successors in interests, counties shall, subject to subdivision (c), provide credits against future taxes in the following total amounts:~~

Alameda .....	\$ 4,455,110
Contra Costa .....	1,000
El Dorado .....	1,000
Fresno .....	264,630
Humboldt .....	500
Kern .....	33,540
Los Angeles .....	18,335,720
Monterey .....	148,560
Orange .....	2,916,995
Riverside .....	435,780
Sacramento .....	1,070,185
San Bernardino .....	1,991,405
San Diego .....	4,262,610
San Joaquin .....	1,000
San Mateo .....	13,544,005
Santa Barbara .....	167,880
Santa Clara .....	2,369,080
Solano .....	1,000

~~(b) There is hereby created the Section 5096.3 Airlines Industry Group, which shall consist of one representative from each of the airlines named in subdivision (a). This group shall hereafter be referred to as the "Section 5096.3 AIG," and shall have the authority to allocate among its membership the credit amounts specified in subdivision (a). A total credit amount identified in subdivision (a) shall be allowed in the relevant county in equal installments for the 1998-99 fiscal year to the 2002-03 fiscal year, inclusive. The Section 5096.3 AIG shall,~~

1 through a designated representative, provide to each  
2 county listed in subdivision (a), no later than three  
3 business days after the effective date of this section, the  
4 detail of the allocation of the credits among the various  
5 airlines. In no event shall a credit exceed the total tax due  
6 for any individual taxpayer. In the event that any  
7 member airline ceases to operate in any county listed in  
8 subdivision (a) during the period credits are to be  
9 provided under this section, the airlines may submit  
10 revised instruction to the county, but in no event can the  
11 total credit amount for any county in any year be  
12 increased beyond the levels set forth for that county in  
13 subdivision (a).

14 (c) In addition to the credits provided in accordance  
15 with subdivision (a), each county shall allow a credit  
16 against an escape assessment upon certificated aircraft,  
17 levied on or after April 1, 1998, under subdivision (b) of  
18 Section 401.15 for fiscal years to the 1997-98 fiscal year,  
19 inclusive, when the escape is based upon the cost  
20 established in a sale/leaseback or assignment of purchase  
21 rights transaction. The amount of the credit shall be equal  
22 to the tax on one half of the value increase, plus interest  
23 and penalties, due to using a sale/leaseback transaction or  
24 an assignment of purchase rights transaction.

25 (d) Upon enrollment of any escape assessment  
26 described in subdivision (a) of Section 401.15, the county  
27 assessor shall provide the county auditor with the  
28 information necessary to calculate the credit required by  
29 subdivision (c).

30 (e) No county shall be required to provide the credits  
31 specified in subdivisions (a) to (c), inclusive, unless all  
32 airlines described in subdivision (a), who have property  
33 that is assessed in that county, have all entered into a  
34 written settlement agreement or alternatively, at the  
35 request of the county, have all executed a written waiver  
36 with that county. Upon the execution of a settlement  
37 agreement or waiver by the relevant airlines described in  
38 subdivision (a) with a county listed in that subdivision,  
39 that county shall be required to provide the credits set out  
40 in this section. The agreement or waiver shall include a

~~1 waiver of all statutory and constitutional rights to  
2 challenge the valuation and equalization of certificated  
3 aircraft through the 2003-04 fiscal year, provided that the  
4 assessments are established in accordance with Section  
5 401.15, and all statutory and constitutional rights to  
6 challenge the valuation, equalization, and assessability of  
7 possessory interest in publicly owned airports, other than  
8 an interest in terminal, cargo, hangar, or other buildings  
9 leased in whole or in part by an airline, provided that the  
10 valuations made for the 1998-99 fiscal year and each fiscal  
11 year thereafter are established in conformance with  
12 Section 107.9.~~

13 *SECTION 1. (a) The Legislature finds and declares*  
14 *all of the following:*

15 *(1) Two of the most difficult and contentious property*  
16 *tax assessment issues in recent years have concerned the*  
17 *assessment of certificated aircraft and airline possessory*  
18 *interests, other than interests stated in a written*  
19 *agreement for terminal, cargo, hangar, automobile*  
20 *parking lots, storage and maintenance facilities and other*  
21 *buildings and the land thereunder leased in whole or in*  
22 *part by an airline.*

23 *(2) These issues have given rise to litigation and*  
24 *appeals challenging assessments involving hundreds of*  
25 *millions of dollars of property tax revenues.*

26 *(3) The uncertainty created by pending litigation and*  
27 *appeals over the assessment of airline property and*  
28 *possessory interests in publicly owned airports is*  
29 *disruptive to both airline industry tax planning and local*  
30 *government and school finance.*

31 *(b) It is the intent of the Legislature in enacting this*  
32 *act to facilitate resolution of the disputes over the*  
33 *assessment of certificated aircraft by codifying*  
34 *recommendations produced by a county and airline*  
35 *industry working group, that do all of the following:*

36 *(1) Establish valuation methodology for certificated*  
37 *aircraft.*

38 *(2) Clearly establish a presumption of correctness if*  
39 *county assessors follow the assessment methodology set*  
40 *out in this measure and in Assembly Bill 2318.*



1 (3) Dispose of certain outstanding litigation and  
2 appeals over aircraft valuation.

3 (4) Mitigate the financial impact of this statutory  
4 change on local governments and schools by establishing  
5 a method by which the issuance of any prior year refunds  
6 to litigating airlines would be treated as credits against  
7 future tax payments.

8 SEC. 2. Section 401.15 is added to the Revenue and  
9 Taxation Code, to read:

10 401.15. (a) Notwithstanding any other provision of  
11 law, for any county that makes available the credits  
12 provided for in Section 5096.3, the full cash values of  
13 certificated aircraft for fiscal years to the 1997–98 fiscal  
14 year, inclusive, are presumed to be those values enrolled  
15 by the county assessor or, in the case of timely escape  
16 assessments upon certificated aircraft issued on or after  
17 April 1, 1998, pursuant to Sections 531, 531.3, and 531.4, the  
18 values enrolled upon those escape assessments, provided  
19 the escape assessment is made in accordance with the  
20 methodology in subdivision (b). For escape assessments  
21 for fiscal years to the 1997–98 fiscal year, inclusive, the  
22 assessor shall use the methodology and minimum and  
23 market values set by the California Assessors' Association  
24 for the applicable fiscal year in lieu of the methodology  
25 set forth in paragraph (3), (4), or (5) of subdivision (b).  
26 The assessor is not required to revise or change existing  
27 enrolled assessments that are not subject to escape  
28 assessment to reflect the methodology in this section.  
29 Nothing in this section precludes audit adjustments and  
30 offsets as set forth in Section 469 or the correction of  
31 reporting errors raised by an airline. Nothing in this  
32 section affects any presumption of correctness  
33 concerning allocation of aircraft values.

34 (b) (1) For the 1998–99 fiscal year to the 2002–03 fiscal  
35 year, inclusive, and including escape assessments levied  
36 on or after April 1, 1998, for any fiscal year to the 2002–03  
37 fiscal year, inclusive, except as otherwise provided in  
38 subdivision (a), for any county described in subdivision  
39 (a), certificated aircraft shall be presumed to be valued

1 at full market value if all of the following conditions are  
2 met:

3 (A) Except as provided in subparagraph (D), value is  
4 derived using original cost. The original cost shall be the  
5 greater of the following:

6 (i) Taxpayer's cost for that individual aircraft reported  
7 in accordance with generally accepted accounting  
8 principles, and to the extent not included in the  
9 taxpayer's cost, transportation costs and capitalized  
10 interest and the cost of any capital addition or  
11 modification made before a transaction described in  
12 clause (ii).

13 (ii) The cost established in a sale/leaseback or  
14 assignment of purchase rights transaction for that  
15 individual aircraft that transfers the benefits and burdens  
16 of ownership to the lessor for United States federal  
17 income tax purposes.

18 If the original cost for leased aircraft cannot be  
19 determined from information reasonably available to the  
20 taxpayer, original cost may be determined by reference  
21 to the "average new prices" column of the Airliner Price  
22 Guide for that model, series, and year of manufacture of  
23 aircraft. If information is not available in the "average  
24 new prices" column for that model, series, and year, the  
25 original cost may be determined using the best indicator  
26 of original cost plus all conversion costs incurred for that  
27 aircraft. In the event of a merger, bankruptcy, or change  
28 in accounting methods by the reporting airline, there  
29 shall be a rebuttable presumption that the cost of the  
30 individual aircraft and the acquisition date reported by  
31 the acquired company if available, or the cost reported  
32 prior to the change in accounting method is the original  
33 cost and the applicable acquisition date.

34 (B) Original cost, plus the cost of any capital additions  
35 or modifications not otherwise included in the original  
36 cost, shall be adjusted from the date of the acquisition of  
37 the aircraft to the lien date using the producer price index  
38 for aircraft and a 16-year straight-line percent good table  
39 starting from the delivery date of the aircraft to the  
40 current owner with a minimum combined factor of 25

1 percent, unless this adjustment results in a value less than  
2 the minimum value for that aircraft computed pursuant  
3 to subparagraph (C), in which case the minimum value  
4 may be used. If original cost is determined by reference  
5 to the Airliner Price Guide “average new prices” column,  
6 the adjustments required by this paragraph shall be made  
7 by setting the acquisition date of the aircraft to be the  
8 date of the aircraft’s manufacture.

9 (C) For certificated aircraft of a model and series that  
10 has been in revenue service for eight or more years, the  
11 minimum value shall not exceed the average of the used  
12 aircraft prices shown in columns other than the “average  
13 new prices” column for used aircraft of the oldest aircraft  
14 for that model and series in the Airliner Price Guide most  
15 recently published as of the lien date. Minimum values  
16 shall not be utilized for certificated aircraft of a model and  
17 series that has been in revenue service for less than eight  
18 years.

19 (D) For out-of-production aircraft that were  
20 recommended to be valued by a market approach for  
21 1998 by the California Assessors’ Association, assessments  
22 will be based at the lower of the following:

23 (i) The values established by the Association for the  
24 1998 lien date.

25 (ii) The average of the used aircraft prices shown in  
26 the columns other than the “average new prices” column  
27 for used aircraft of the five oldest years for the aircraft  
28 model and series or that lesser time for which data is  
29 available in the Airliner Price Guide.

30 (2) Notwithstanding paragraph (1), in computing  
31 assessed value, the assessor may allow for extraordinary  
32 obsolescence if supported by market evidence and the  
33 taxpayer may challenge the assessment for failure to do  
34 so. To constitute market evidence of extraordinary  
35 obsolescence and to permit an assessment appeal, the  
36 evidence must show that the functional and or economic  
37 obsolescence is in excess of 10 percent of the value for the  
38 aircraft model and series otherwise established pursuant  
39 to subparagraph (B), (C), or (D) of paragraph (1).

1 (3) For purposes of paragraph (1), if the Airliner Price  
2 Guide ceases to be published or the format significantly  
3 changes, a guide or adjustment agreed to by the airlines  
4 and the taxing counties shall be substituted.

5 (c) (1) For the 2003–04 fiscal year, certificated  
6 aircraft shall be presumed to be valued at full market  
7 value if all of the following conditions are met:

8 (A) Except as provided in subparagraph (D), value is  
9 derived using original cost. The original cost shall be the  
10 greater of the following:

11 (i) Taxpayer's cost for that individual aircraft reported  
12 in accordance with generally accepted accounting  
13 principles, and to the extent not included in the  
14 taxpayer's cost, transportation costs and capitalized  
15 interest and the cost of any capital addition or  
16 modification made before a transaction described in  
17 clause (ii).

18 (ii) Taxpayer's cost as established pursuant to this  
19 subdivision plus one-half of the incremental difference  
20 between taxpayer's cost and the cost established in a  
21 sale/leaseback or assignment of purchase rights  
22 transaction for individual aircraft that transfers the  
23 benefits and burdens of ownership to the lessor for United  
24 States federal income tax purposes.

25 If the original cost for leased aircraft cannot be  
26 determined from information reasonably available to the  
27 taxpayer, original cost may be determined by reference  
28 to the "average new prices" column of the Airliner Price  
29 Guide for that model, series, and year of manufacture of  
30 aircraft. If information is not available in the "average  
31 new prices" column for that model, series, and year, the  
32 original cost may be determined using the best indicator  
33 of original cost plus all conversion costs incurred for that  
34 aircraft. In the event of a merger, bankruptcy, or change  
35 in accounting methods by the reporting airline, there  
36 shall be a rebuttable presumption that the cost of the  
37 individual aircraft and the acquisition date reported by  
38 the acquired company if available, or the cost reported  
39 prior to the change in accounting method is the original  
40 cost and the applicable acquisition date.

1 (B) Original cost, plus the cost of any capital additions  
 2 or modifications not otherwise included in original cost,  
 3 shall be adjusted from the date of the acquisition of the  
 4 aircraft to the lien date using the producer price index for  
 5 aircraft and a 16-year straight-line percent good table  
 6 starting from the delivery date of the aircraft to the  
 7 current owner with a minimum combined factor of 25  
 8 percent, unless this adjustment results in a value less than  
 9 the minimum value for that aircraft computed pursuant  
 10 to subparagraph (C), in which case the minimum value  
 11 may be used. If original cost is determined by reference  
 12 to the Airliner Price Guide "average new prices" column,  
 13 the adjustments required by this paragraph shall be made  
 14 by setting the acquisition date of the aircraft to be the  
 15 date of the aircraft's manufacture.

16 (C) For certificated aircraft of a model and series that  
 17 has been in revenue service for eight or more years, the  
 18 minimum value shall not exceed the average of the used  
 19 aircraft prices shown in columns other than the "average  
 20 new prices" column for used aircraft of the oldest aircraft  
 21 for that model and series in the Airliner Price Guide most  
 22 recently published as of the lien date. Minimum values  
 23 shall not be utilized for certificated aircraft of a model and  
 24 series that has been in revenue service for less than eight  
 25 years.

26 (D) For out-of-production aircraft that were  
 27 recommended to be valued by a market approach for  
 28 1998 by the California Assessors' Association their  
 29 assessments shall be based at the lower of the following:

30 (i) The values established by the Association for the  
 31 1998 lien date.

32 (ii) The average of the used aircraft prices shown in  
 33 the columns other than the "average new prices" column  
 34 for used aircraft of the five oldest years for the aircraft  
 35 model and series or that lesser time for which data is  
 36 available in the Airliner Price Guide.

37 (2) Notwithstanding paragraph (1), in computing  
 38 assessed value, the assessor may allow for extraordinary  
 39 obsolescence if supported by market evidence and the  
 40 taxpayer may challenge the assessment for failure to do

1 so. To constitute market evidence of extraordinary  
2 obsolescence and to permit an assessment appeal, the  
3 evidence must show that the functional and or economic  
4 obsolescence is in excess of 10 percent of the value for the  
5 aircraft model and series otherwise established pursuant  
6 to subparagraph (B), (C), or (D) of paragraph (1).

7 (3) For purposes of paragraph (1), if the Airliner Price  
8 Guide ceases to be published or the format significantly  
9 changes, a guide or adjustment agreed to by the airlines  
10 and the taxing counties shall be substituted.

11 (d) In order to calculate the values prescribed in  
12 subdivisions (b) and (c), the taxpayer shall, to the extent  
13 that information is reasonably available to the taxpayer,  
14 furnish the county assessor with an annual property  
15 statement that includes the aircraft original costs as  
16 defined in subparagraph (A) of paragraph (1) of  
17 subdivision (b) or (c). In the event an air carrier that has  
18 this information reasonably available to it fails to report  
19 original cost and additions, as required by Revenue and  
20 Taxation Code Sections 441 and 442, an assessor may in  
21 that case, notwithstanding any other provision in this  
22 section, make an appropriate assessment pursuant to  
23 Revenue and Taxation Code Section 501.

24 SEC. 3. Section 5096.3 is added to the Revenue and  
25 Taxation Code, to read:

26 5096.3. (a) To dispose of certain lawsuits and  
27 assessment appeals that have been filed, and to preclude  
28 the filing of other claims relating to (1) the assessment,  
29 equalization, and assessability of certain possessory  
30 interests in publicly owned airports and (2) aircraft  
31 valuation and equalization by Alaska Airlines, Inc.,  
32 American Airlines, Inc., Continental Airlines, Inc., Delta  
33 Air Lines, Inc., Federal Express Corporation, Northwest  
34 Airlines, Inc., Trans World Airlines, Inc., United Airlines,  
35 Inc., United Parcel Service, U.S. Airways, Inc., Wings  
36 West Airlines, Southwest Airlines, America West Airlines,  
37 in their own right or as successors in interest, counties  
38 shall provide future tax credits in the following amounts:

39

1	Alameda .....	\$ 4,455,110
2	Contra Costa .....	1,000
3	El Dorado .....	1,000
4	Fresno .....	264,630
5	Humboldt .....	500
6	Kern .....	33,540
7	Los Angeles .....	18,335,720
8	Monterey .....	148,560
9	Orange .....	2,916,995
10	Riverside .....	435,780
11	Sacramento .....	1,070,185
12	San Bernardino .....	1,991,405
13	San Diego .....	4,262,610
14	San Joaquin .....	1,000
15	San Mateo .....	13,544,005
16	Santa Barbara .....	167,880
17	Santa Clara .....	2,369,080
18	Solano .....	1,000

19  
20 *(b) The credits identified in subdivision (a) will be*  
21 *allowed in equal amounts for the 1998–99 fiscal year to the*  
22 *2002–03 fiscal year, inclusive, and may be credited by the*  
23 *counties against one or more tax bills of the airline*  
24 *entitled to the credit. The credits identified in subdivision*  
25 *(a) shall be allocated among the airlines in accordance*  
26 *with a schedule to be established and agreed upon by the*  
27 *airlines identified in subdivision (a). The airlines shall,*  
28 *through a designated representative, provide to each*  
29 *county listed in subdivision (a), before the effective date*  
30 *of this measure, the detail of the allocation of the credits*  
31 *among the various airlines. In no instance shall a county*  
32 *be required to provide a credit to any airline in any year*  
33 *that exceeds the total tax due from that airline to that*  
34 *county for that year. The airlines’ designated*  
35 *representative may submit revised instructions not later*  
36 *than June 30 preceding the beginning of the fiscal year in*  
37 *which the credits are to be adjusted, but in no event may*  
38 *the credit for any county in any year be increased beyond*  
39 *the levels set out in subdivisions (a) and (b) for any fiscal*  
40 *year.*

1 (c) In addition to the credits provided in subdivision  
2 (a), each county shall allow a credit against any escape  
3 assessment upon certificated aircraft levied on or after  
4 April 1, 1998, under subdivision (b) of Section 401.15 for  
5 tax years up to and including the 1997–98 fiscal year to the  
6 extent the escape assessment is based upon the cost  
7 established in sale/leaseback or assignment of purchase  
8 rights transaction. The amount of the credit shall be equal  
9 to the tax on one-half of the value increase, plus interest  
10 and penalties attributable to use of the sale/leaseback or  
11 assignment of purchase rights transaction amount to  
12 determine value pursuant to subdivision (b) of Section  
13 401.15.

14 (d) Upon enrollment of any escape assessment  
15 contemplated in subdivision (a) of Section 401.15, the  
16 county assessor shall provide the county auditor with the  
17 information necessary to calculate the credit required in  
18 subdivision (c) of this section.

19 (e) No county shall be required to provide the credits  
20 specified in subdivisions (a) and (b) unless all airlines  
21 named in subdivision (a) who also have assessments in  
22 that county have entered into a settlement agreement or  
23 executed a waiver with that county. No county shall be  
24 required to provide the credits specified in subdivision  
25 (c) unless the airline otherwise entitled to that credit has  
26 entered into a settlement agreement or executed a  
27 waiver with that county. The settlement agreement or  
28 waiver shall include a waiver of all statutory and  
29 constitutional rights with respect to pending and future  
30 challenges to valuation and equalization of certificated  
31 aircraft through the 2003–04 fiscal year, provided that the  
32 assessments are established in conformance with Section  
33 401.15, and all statutory and constitutional rights to  
34 challenge valuation, equalization and assessability of  
35 possessory interests in publicly owned airports (other  
36 than interests stated in a written agreement for terminal,  
37 cargo, hangar, automobile parking lots, storage and  
38 maintenance facilities, and other buildings and the land  
39 thereunder leased in whole or in part by an airline),  
40 provided that the valuations made for the 1998–99 fiscal



1 year and thereafter are established in conformance with  
2 Section 107.9. At the discretion of a county, the airlines  
3 may be required to file waivers in that county in lieu of  
4 entering into a settlement agreement. Upon the  
5 execution of a settlement agreement or waiver by the  
6 airlines named in subdivision (a) that also have  
7 assessments in a county, that county listed in subdivision  
8 (a) shall be required to provide the credits set out in this  
9 section. Nothing in this section precludes claims  
10 concerning allocation of aircraft values.

11 (f) With respect to America West Airlines only, the  
12 waiver or settlement agreement required by subdivision  
13 (e) may exclude the claims that America West Airlines  
14 has already raised in the adversary proceedings in the  
15 bankruptcy proceeding entitled “In Re America West  
16 Airlines, Inc., Case No. 91-07505 PHX-RGM” against the  
17 Counties of Orange, San Bernardino, Sacramento, San  
18 Mateo, Alameda, and San Diego, provided that the  
19 settlement agreements or waivers under subdivision (e)  
20 provide that the resolution of any of America West’s  
21 adversary claims will have no legal effect for any tax year  
22 not at issue in those adversary proceedings. This section  
23 and Sections 107.9 and 401.15 do not abrogate, rescind,  
24 preclude, or otherwise affect any separate settlement  
25 agreement entered into prior to the effective date of this  
26 section between a county and an airline concerning the  
27 subject matter of this section and Sections 107.9 and  
28 401.15 with respect to those tax years expressly settled by  
29 any agreement as so described. However, no settlement  
30 agreement as so described may be used to challenge the  
31 assessment and valuation provided by these sections for  
32 any tax year after the 1997–98 fiscal year or any tax year  
33 not expressly settled by that agreement.

34 SEC. 4. The Legislature finds and declares that a  
35 special law is necessary and that a general law cannot be  
36 made applicable within the meaning of Section 16 of  
37 Article IV of the California Constitution because of the  
38 unique legal, fiscal, and administrative issues faced by the  
39 counties specified in this act with respect to unresolved

1 disputes in those counties concerning the proper taxation  
2 of certificated aircraft.

3 SEC. 5. This act shall become operative only if  
4 Assembly Bill 2318 is enacted and becomes effective on  
5 or before January 1, 1999.

6 SEC. 6. This act is an urgency statute necessary for the  
7 immediate preservation of the public peace, health, or  
8 safety within the meaning of Article IV of the California  
9 Constitution and shall go into immediate effect. The facts  
10 constituting the necessity are:

11 This measure is necessary to provide guidance and  
12 clarification that is essential to the fair and efficient  
13 taxation of airline industry property and possessory  
14 interests in publicly owned airports in the current year,  
15 and to clarify the status of prior-year property tax  
16 payments that have funded essential services provided by  
17 local governments and schools.

